

SYN. NO. _____

AGN. NO. _____

MOTION BY SUPERVISOR ZEV YAROSLAVSKY

February 13, 2007

On September 21, 2004, this Board approved the sale of a surplus County-owned property located at 5026 Santa Monica Boulevard, to Hollywood Community Housing Corporation (HCHC) for its fair market value of \$1,500,000. The sale was conditioned upon HCHC receiving the required jurisdictional and financial approvals to build a mixed-use project with some retail and at least 50 units of housing affordable to persons of very low income within two years. The County granted HCHC a short-term loan secured by a deed of trust in the amount of \$1,495,000 at seven percent interest which pursuant to the most recent extension granted by this Board on January 23, 2007 will be due and payable on February 23, 2007.

On November 22, 2006 this Board approved substitution of the existing mortgage and promissory note with a residual receipts mortgage and promissory note in the amount of \$1,733,390, with interest to accrue on the residual receipts note at three percent per annum. \$1,733,390 is the amount of the existing promissory note plus accrued interest through November 30, 2006.

HCHC has made considerable progress in obtaining the required approvals; however, they were unable to meet all of the conditions imposed by the State of California funding source prior to their deadline in December 2006. Thus the residual

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receipts mortgage did not replace the existing mortgage and promissory note. HCHC has reapplied for the State loan and it is expected that this project will be awarded funding in March 2007. In advance of this date, HCHC will obtain the required building permits.

HCHC's failure to obtain all necessary governmental approvals and financing as of July 30, 2006 triggered an ongoing option for the County to repurchase the property and a right for HCHC to require the County to repurchase the property pursuant to an Option Agreement which is secured, together with the Agreement of Purchase and Sale and Restrictive Covenant and Regulatory Agreement, by the existing deed of trust.

HCHC has requested that the County consider extending the existing note to provide sufficient time to complete the project financing process and that the amounts of principal and interest due on this note to be converted into the residual receipts note remain fixed at \$1,733,390 which is equal to the amount due on this note as of November 30, 2006.

THEREFORE, AS AUTHORIZED BY GOVERNMENT CODE SECTION 25539.4, I
MOVE THAT THIS BOARD:

1. Find that the amendment of an existing promissory note does not constitute a project under the California Environmental Quality Act and the Los Angeles County Revised Environmental Document Reporting Procedures and Guidelines.
2. Authorize the Chief Administrative Officer ("CAO") to draft a note extension for a period of not more than 120 days from the current date of expiration in the form of an amendment to the existing note, including:

- a. a statement that the Option to Purchase, Agreement of Purchase and Sale and Restrictive Covenant and Regulatory Agreement remain unchanged and in full force and effect, except that the Option to Purchase shall terminate upon reconveyance of the existing promissory note, and
 - b. a statement that the amendment is subject to HCHC providing County with an endorsement to its title policy insuring against a loss of priority, and upon approval by County Counsel, instruct the Chairman to execute the note amendment.
3. Authorize the CAO, in conjunction with the Community Development Commission, to enter into a replacement residual receipts promissory note in the amount of \$1,733,390, so long as the funding for the project is in place and the existing note is reconveyed on or before 120 days following the effective date of the new extension of the note, otherwise the existing note will continue to accrue interest at the current rate of 7% per annum. All other terms and provisions in connection with the residual receipts mortgage and promissory note shall remain as set forth in the minutes of the November 28, 2006, Board meeting.
4. Authorize the CAO to negotiate and approve on behalf of the County any other related documents or agreements required to allow HCHC to meet the conditions originally imposed by the County, subject to approval by County Counsel.